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A Report on the Organization of the Egyptian Customs Authority

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The Customs Organization

The Customs Authority of Egypt derives its' authority from the Ministry of Finance, through the Office of the Commissioner of Customs, who is appointed as the First Under Secretary of State (Ministry of Finance).

In Egypt the formation of the Customs Authority is a matter of law. Administrative Decree 99 of 1997 authorizes the present organization.

In the organizational chart, under the Commissioner and reporting directly to him are three major offices, or Central Directorates; the Central Directorate of Affairs and the Office of the Commissioner, the Central Directorate of Customs Security, and the Central Directorate of Organization and Training. These Central Directorates are considered to be Advisors to the Commissioner. They have in turn 17 General Directorates reporting to them with 109 Directorates subservient to the General Directorates.

In reviewing previous assessments of the organization, it appears there was a misreading of the Executive level, not acknowledging the above latter two groups of units reporting directly to the Commissioner.

There are 5 Central Directorates also reporting to the Commissioner. These are grouped as the Central Service Sector and include; the Central Directorates for Automation Systems, Exemption and Special Schemes, Economic Research and Customs Tariffs, Anti-Smuggling, and Financial and Administrative Affairs. In turn they are composed of 25 General Directorates, with 181 Directorates.

Additionally, there 8 Central Directorates reporting to the Commissioner, grouped as Customs Regions Sector that include; the Central Directorates for Cairo and the Southern Region, Passenger Customs (Cairo old Airport), Passenger Customs (Cairo new Airport), Alexandria Customs, Mohmudia Customs & Western Region, Suez and Red Sea Customs, Port Said Customs and Free Zone, and Sinai. They have 48 General Directorates and 442 Directorates.

This means that the Commissioner's span of immediate supervision includes 16 Central Directorates who in turn have an immediate supervisory span of 90 General Directorates, and the 90 General Directorates supervise 732 Directorates.

A full listing of each of the Central Directorates, General Directorates, and Directorates, including organizational charts are listed in the attached copy of the Administrative Decree 99/1997.

Note – While the decree was a public document and verification was not a problem, the numbers of personnel assigned to each unit and the total number of Customs personnel was not published, nor was it furnished on our request. We were told that it was a matter of security (classified information). Estimates, range from 12,000 to 27,000 as to the total number of employees. Any attempt to re-engineer customs or to restructure customs will require accurate information of that number. From observation we can estimate fairly accurately 3,000 at Port Said, 7,000 at Alexandria and other seaports, and another 3,000 at the two airports in Cairo and the seven duty free warehouses. Allowing 2,000 for Management and staff at Headquarters. That would be 15,000 without considering Aswan, Luxor, Sinai, and border out stations. A conclusion would be that the overall number might be close to 20,000.

General Observations

The first observation that can be made by anyone looking at the organization is the fact that Customs does not need the number of people it has on payroll to fulfill the operational requirements of the institution. From the standpoint of efficient operation, the numbers presently on payroll could be reduced by half with no loss in effectiveness. This can be said based on observation, even without the exact numbers known.

It is understood that efficiency is not a priority in the determination of numbers of employees in Egyptian Customs. Nor is the setting of personnel ceilings a function of customs. However, any attempt to re-organize the Institution must be based on the overall numbers and the distribution of personnel.

The overabundance of personnel, while a positive asset in meeting manpower functional availability, creates a series of other problems that do affect the ability of the Customs Management to function within a command structure that is efficient and effective.

Organizational Management

The basic management principals of command, control, and communication are diluted by over definition of authority to justify the numbers of mid level managers and junior managers. When the number of regional or central locations multiplies this, then the dilution becomes a serious handicap to the effectiveness of the organization. Too many managers with a narrow field of authority, cause some by passing of management levels and an over specialization of interest, thereby causing a lack of knowledge of what is going on within the organization. Managers who have come up through the system do not have a broad based knowledge of the pattern of operations of customs. This in turn causes a weakened executive staff where decisions for the operation of the organization are made.

An example of this can be seen when as a part of our assessment we asked the Director of Procedures in one of the ports if vessels arriving at the port were

boarded by Customs. He was unable to answer the question with clarity. This shows that a skilled manager working in a seaport environment does not know what other units in the same place are doing. The question is a basic question of customs operational control and should be known by every manager in customs. This is an example of the narrowness of management focus due to strict definition of responsibility.

Another example is the Training command which specifies four separate divisions of interest at each of the five training institutes. This might be considered appropriate for a large training unit, but the largest of the institutes (Alexandria) only has ten staff positions. Practical logic would say a maximum of two, instructional staff and training support staff, would be sufficient.

All policy making decisions are made at the highest level with little or no consultation with field elements. Field elements are reluctant to make judgmental operational decisions without fully documented support.

Management Philosophy

It is obvious from the experience of this assessment that decisions are being made to accommodate econ-political goals without the operational skill to know the functional limits of the organization. As opposed to acknowledging and resolving problems, management appears to take the defensive posture of denying that the problem exists, and trying to force resolutions into the context of modified application of existing policy. Executive Management in Customs does not seem to accept positive criticism of the organization. It appears that criticism is considered an acknowledgement of the failure of management. In Customs organizations worldwide, constant management evaluation, re-engineering, critical self-examination and introspection are considered to be signs of good management. This attitude of demonstrating an ability to define and correct problems is critical to manage an organization that is by nature ever changing, complex, and under constant scrutiny from the trade, public and regulatory agencies. Transparency, flexibility, and correctness must be a trademark management policy in Customs.

Workforce

The Customs Authority has a stable workforce; annual turn over is about 250 positions, judging from the number of new personnel receiving basic training, this can be estimated at between .8 to 1.0% (most turn over is due to retirement, illness and death). This compares favorably with most organizations of a similar type. The organization is well documented by authority and function. Job descriptions do exist and are used. In some cases it might be considered over documented, showing the customs predilection for official documents to justify correctness. This can and does become a problem as we have seen in other parts of this assessment. It tends to narrow focus and to become a disincentive to the use of flexibility and individual judgment.

The number of reviews that action must go through before considered final is burdensome and well beyond what should be considered sufficient. The avoidance and abhorrence of error is a total disincentive to the development of a confident workforce. Employees do not have the authority to act on individual judgment and are fully dependant on having legitimized documents to use as a rationalization or justification for decisions. This is seen throughout the assessment in all levels of personnel. It is an organizational deterrent to effective management.

The workforce has a full series of benefits and allowances. Personnel programs are generous and are human resource proactive. Salaries are in accord with other agencies in Egypt and have more benefits than many (except the military). Customs positions are sought after, with no problem seen filling positions or getting qualified personnel.

The quality level of personnel being hired indicate that there should be no problem in bringing them to a level of full proficiency in customs technology through proper training and management.

Several items in personnel practices appear to be incentives for revenue collection, but have the effect of being disincentives to trade facilitation. These are:

- Revenue Bonuses granted by the Minister of Finance based on collections,
- The share premium paid to employees for fines, and penalties collected, and
- Placing revenue quotas and targets on managers.

Career Paths

Career paths as such do not currently exist in customs, except in the general area of technical customs as opposed to non-technical positions. It is a deterrent to the development of expertise that is needed in modern customs technology.

Customs operational personnel can generally be placed in field career path positions, namely, those who specialize in the classification and valuation of merchandise, those who deal with carriers, baggage, and cargo examination, and those who investigate potential violations. These are the positions in customs that require the greatest customs technical knowledge not generally available through previous education or general experience outside of customs. They are considered operational as they are directly involved in the entry, movement, and export of people, goods, and effects.

A second group of employees, considered administrative as opposed to operational are those who have a technical specialty used in customs but learned in a special school or licensed by an authority other than customs, e.g.

administrative officers, administrative specialists, accountants, attorneys, and auditors. These are considered technical or professional support personnel as opposed to operational personnel. Their function is considered as ancillary to customs operations.

A third group of employees are those in clerical, filing, custodial, labor, transportation and maintenance positions. These are considered non-professional support personnel. By function they are auxiliary to operations.

The development of career paths within groups of employees allows for some specialization, while retaining general knowledge of patterns of operations of customs. This leads to a greater pool of potential supervisors and managers having the technical acuity required in customs.

The reason that it is essential to form career paths of employees is that the same system of division of responsibility can be used at the supervisory, and management levels, at the local, area, and central units. This can reduce the numbers of managers needed and broaden the scope of authority allotted to each.

Facilities

The facilities of the Customs Authority in each of the locations that were visited were considered adequate as to structure and location. The workspaces will have to be redesigned in most, if automation becomes common. Computers will require some change in environmental control of offices. Computers require a temperature controlled environment and a near dust free atmosphere to work in.

It is also suggested that attention may be given to building maintenance and cleaning budgets to present a better appearance and more desirable work environment.

Security of facilities was impressive. However, there are two items to be mentioned in this regard; first is that because the outside and gate security is not provided by Customs, it may lead to a complacent mental attitude regarding security. Customs must be vigilant at all times for security and internal conspiracy. The second is that reasonable good security is an asset, overly restrictive security can be burdensome and excessively restrict freedom of access. Customs is a service to the public and must be accessible.

Pay, Benefits, and Allowances

Employees of the Customs Authority are paid according to the general statute for State Civil Servants found in the table attached to Decree 53 of 1983. This

is based on a graduated scale according to rank (class) that begins with the sixth class through Premium class employees.

Class	Minimum Salary £E	Maximum Salary £E
Premium	217	-----
High	140	207.75
General Manager	125	197
First Class	95	179
Second Class	70	164
Third Class	48	139
Fourth Class	38	106
Fifth Class	36	82
Sixth Class	35	68

Raises and bonuses under the civil service system are:

- Periodic Increase – paid to all employees on the first of July annually in accordance with a published table.
- Merit Pay Raises – based on annual performance ratings and reports, increases are authorized at a rate of 10% for administrative employees, or an amount equivalent to an employee's periodic pay raise.
- Merit Bonuses – paid to distinguished employees that increase the efficiency of the unit.
- High Revenue Bonuses – paid to all employees of the Customs Authority at the end of each accounting period in accordance with the decision of the Minister of Finance.
- End of Service Bonus – Paid to employees at the end of service by decision of the head of the authority.

Social and Medical Benefits:

From the Worker's Insurance Fund for Customs and Sales Tax Authorities:

- Upon death or reaching retirement age, the sum of £E 2,000 is paid.
- Upon death of a spouse, parent or dependant child of the member, the sum of £50 is paid.
- Upon a member's first marriage, the sum of £25 is paid.
- Upon the first marriage of a member's daughter, the sum of £50 is paid.
- The fund shall pay all expenses related to the first childbirth of a member or spouse.
- The fund shall pay £E 40 toward the cost of medication.
- £E 10 is paid for eyeglasses for member and one dependant per three years.
- £E 3 is paid as a food supplement for a member or spouse having:
 - Tuberculosis
 - Diabetes
 - Ulcers, and digestive tract problems
 - Parkinson's disease or polio
 - Neuropsychiatry illness

- Asthma
- Cardiac Disease
- The fund pays the full amount of medical costs, including hospitalization and surgery in a second-class hospital for members and dependants.
- The fund pays the full cost of dental treatment and artificial limbs.

From the Savings Fund for Customs Authority Employees:

- Investing the funds of employees in government banks at the highest annual interest rates.
- Allowing members to contribute 5%, 10%, 15%, 20%, or 25% of basic salary to the fund.
- Offering loans to members.
- Allowing retired employees to keep the sum of £E 10,000 in the fund for ten years after retirement.

Services of the Social Security Fund for Customs Authority Employees:

- A payment to employees upon retirement, death or full disability of an amount between £E 40,000 and £E 90,000 based on annual salary and length of service.

Conclusions

Reorganization of the Customs Authority is needed. The Commissioner's span of control needs to be reduced through the use of a Deputy position by whatever title is appropriate. It can be further reduced by making the Advisor Group an Administrative Staff reporting to the Deputy Commissioner. It would also be a natural extension of career paths, to continue them into supervision, management, and executive management, thereby reducing the numbers of field and headquarters managers. It is felt that this would enhance the broadening of the knowledge base of management.

The timing of a reorganization is also important. If, and when the changes recommended by the previous two assessments and the present one are acted on by the Customs Authority to a sufficient degree to indicate a desire to change, then the environment for acceptance of a re-engineering study will be improved.

The Customs Authority in Egypt has the potential to become a model for other nations in becoming a modern, efficient organization. The personnel, supervisors and managers are capable, with some temporary assistance, to improve the effectiveness of the organization.

Annex

Discipline and Adverse Action

Customs Authority employees are governed by the discipline and adverse action for violations of administrative policies and law as defined in Decree 47 of 1978.

A table of offenses:

Violation	Penalty	
	Minimum	Maximum
Working hours violations:		
• Absence from work without Permission	5-day pay loss	30-day pay loss
• Leaving prior to end of work Day without permission	Warning	10 day pay loss
• Not following procedures For reporting absence	Warning	10 day pay loss
• Tardiness	Warning	5 day pay loss
Performance of Duties:		
• Deliberate presentation of Incorrect information	2-day pay loss	15-day pay loss
• Failing to deliver the money Collected in the specified time	2 day pay loss	10 day pay loss
• Refusal to perform the duties Of the job	2-day pay loss	10-day pay loss
• Negligence or laxity in performance	1 day pay loss	10 day pay loss
• Failure to perform	1 day pay loss	10 day pay loss
• Failure to follow instructions	1 day pay loss	10 day pay loss
Violation of work procedures:		
• Fund raising or gathering Signatures for illegal purposes	Referral to disciplinary trial	
• Violating security procedures	Suspension for	Referral to

	3 months at ½ pay	Disciplinary trial
• Sleeping on the job	Suspension for 3 Months	Referral to Disciplinary trial
• Negligence on the job	Suspension for 3 Month	Referral to Disciplinary trial
• Requesting or accepting gifts or commissions	15 day pay loss	60 day pay loss
• Moonlighting	5 day pay loss	45 day pay loss
• Divulging confidential matters	5 day pay loss	45 day pay loss
• Conflicting interests	5 day pay loss	30 Day pay loss
• Failing to protect property	1 day pay loss	15 day pay loss
• Release of information to the Press without authorization	1 day pay loss	15 day pay loss
• Purchasing seized property	1 day pay loss	15 day pay loss
• Work flow violation	1 day pay loss	15 day pay loss
• Failing to reply to audit	Warning	7 day pay loss
• Withholding or keeping of Official original documents	1 day pay loss	7 day pay loss
• Failing to provide personal Information	Warning	5 day pay loss

Behavior related violations:

• Drunkenness or drug use	15 day pay loss	Disciplinary trial
• Violence or threats	30 day pay loss	Loss of ½ raise
• Insulting gestures, threats, or Libel	5 day pay loss	60 day pay loss
• Eavesdropping or wiretap	3 day pay loss	60 day pay loss
• Inappropriate actions	5 day pay loss	60 day pay loss
• Self injury	2 day pay loss	30 day pay loss

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|-----------------------------------|----------------|-----------------|
| • Drinking or Gambling in public | 2 day pay loss | 15 day pay loss |
| • Speculation in the stock market | Warning | 15 day pay loss |
| • Ill-treatment of the public | 2 day pay loss | 15 day pay loss |
| • Pretending illness | Warning | 10 day pay loss |

Grave Violations:

- | | | |
|--|--------------------|--------------------|
| • Arson or sabotaging public buildings or property | Disciplinary trial | Disciplinary trial |
| • Counterfeiting documents | 3 month suspension | Disciplinary trial |
| • Embezzling | 3 month suspension | Disciplinary trial |
| • Indecent or shameful acts | 60 day pay loss | Disciplinary trial |
| • Reckless endangerment | 60 day pay loss | Disciplinary trial |
| • Falsifying documents for gain | 30 day pay loss | Disciplinary trial |
| • Assault | 30 day pay loss | Disciplinary trial |

National Unity and Public Security Related Violations:

- | | | |
|---|--------------------|--------------------|
| • Inciting or stirring workers | Disciplinary trial | Disciplinary trial |
| • Striking or picketing | Disciplinary trial | Disciplinary trial |
| • Copying papers of harm to the National interest | Disciplinary trial | Disciplinary trial |
| • Promoting rumors of falsehoods that harm national unity | Disciplinary trial | Disciplinary trial |
| • Disrespect to others' religion | 5 day pay loss | 15 day pay loss |

In addition, Customs employees are subject to the penalties provided for violation of the criminal and civil laws of Egypt.

Annex

A Report on the Organization of the Customs Authority

Contents

Customs Authority Administrative Decree 99/1997
Customs Authority Organizational Charts
Discipline and Adverse Action

Administrative Decree 99/1997
By the Commissioner of Customs

I – First Under Secretary of State (Ministry of Finance), Customs Commissioner.

II – Units Reporting Directly to the Customs Commissioner:

	Central Directorate (Advisors)	General Directorate	Directorate
	3	17	109
III – Central Service Sector		General Directorate	Directorate
	5	25	181
IV – Customs Region Sector		General Directorate	Directorate
	8	48	442
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Total	16	90	732